PHILIPPINES-FRANCE
BUSINESS COUNCIL

PH-FRBC NEWSLETTER — SECOND QUARTER 2013

Message of the Ambassador of France on cooperation between the CAAP and France's DGAC

In 2011, a bilateral agreement between the Civil Aviation Authority of the Philippines (CAAP), and the French Direction Générale de l'Aviation Civile (DGAC) had been signed. Among other things, the agreement seeks to:

Gilles Garachon

- Reinforce the monitoring and control by CAAP of air transportation companies in the Philippines
- Help CAAP carry out a system called Procedure Based Navigation.

The cooperation is absolutely free of charge for the Philippine side, as the French side finances the accommodations in France of Philippine experts, and the missions of French experts to Manila. DGAC has also been working hand-in-hand with France's National School for Civil Aviation.

Recently, this cooperation took a new impetus with the CAAP's strong commitment to seeing the ban by the European Union on Philippine air transport companies lifted.

CAAP went through a process of reforms and very hard work to ensure that safety standards and regulations were better followed and enforced by companies in the Philippines.

This was recognized by the European Union when it finally announced on 10 July 2013 that Philippine Airlines was authorized to fly anew to Europe.

No doubt the effort will continue and other companies from the Philippines will also quickly be taken of the "black list".

I am particularly delighted to see that the Philippines-France cooperation in civil aviation and the friendly links that are now durably established between experts of the two countries might have contributed to this very important result. This will boost tourism and business between Europe and France, and the Philippines, thus spurring the development of the country.

I wish to congratulate General Hotchkiss for this achievement and thank him and his team for the trust and confidence that he and his team at the helm of CAAP have shown to the French Embassy and the French experts from DGAC.

I wish them and CAAP all the best.

A quarterly publication of the Philippines-France Business Council, the **PH-FRBC Newsletter** provides the latest socio-economic updates, as well as news on developments in trade and investments between the two countries.

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Philippine Q1 2013 GDP shoots to 7.8%, exceeds expectations

The Philippines' National Statistical Coordination Board reported a 7.8% gross domestic product (GDP) growth for the first three months of the year, surpassing expectations of various international financial institutions and other similar agencies. Not only did the country exceed performance forecasts, it posted the fastest growth rate in Asia for the same period. First quarter 2012 GDP was at 6.5%.

The agriculture and industry sectors reflected more than double growth gains from the previous year. Agriculture was able to rally within a one-year period, growing 3.3% from 1.1% in 2012, with significant recovery in the fisheries subsector. Industry's growth rate of 10.9%, from 5.3%, was mainly due to developments in the construction and manufacturing subsectors, having

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grown 32.5% and 9.7% in a year, respectively. The services sector has sustained its pace at a 7.0% growth rate, with consistent gains in all its subsectors.

The Philippine government is steadfastly keeping within target of its 6-7% GDP growth by year-end 2013. It remains confident that the country's strengthened public spending and robust domestic consumption will sustain and anchor its strong economic fundamentals throughout the year. ■

CONTRIBUTIONS TO GDP GROWTH (IN %)	2013 Q1
AHFF	0.4
Industry	3.5
Services	3.9
GDP	**7.8**

Source: NSCB

GROWTH RATES OF MAJOR INDUSTRIES (IN %)	2012		2013
	Q1	Q4	Q1
Agriculture, Hunting, Fisheries and Forestry (AHFF)	1.1	4.9	3.3
Industry	5.3	8.9	10.9
Services	8.4	6.5	7.0

Source: NSCB

PHL enacts law allowing foreign ownership in rural banks

Signed by Philippine President Benigno S. Aquino III on 24 May, Republic Act (RA) 10574 now allows non-Filipinos to take, own, acquire, or purchase a majority stake—or a stake of up to 60% ownership of voting stocks—in rural banks.

The new law amends RA 7353, or The Rural Bank Act of 1992, which limits rural bank ownership to Filipinos.

Rural Banks Association of the Philippines President Edward Garcia approves of the new law, stating that opening up rural banks to foreign ownership would infuse the needed capital to "level the playing field." Prior to the law's passage, foreigners were already allowed to own up to 60% of thrift banks and up to 40% of universal and commercial banks in the Philippines.

Besides majority ownership, the newly-enacted law now permits foreigners membership to the board of directors of a rural bank, proportionate to their equity in said bank's capital. It also now allows a rural bank to take part in bidding and foreclosure of real property that was mortgaged to the said rural banks.

Deputy Presidential Spokesperson Abigail Valte further expressed support for RA 10574 stating that the passage of the law "opens another area for foreign capital" in the Philippines. She added that the law will reinforce the Bangko Sentral ng Pilipinas' "[ongoing program] to strengthen rural banks ■

PHL receives 2 investment grade ratings, expects higher FDI within the year

The Philippines was awarded its first-ever investment grade rating last March after international credit-rating agency Fitch Ratings raised the country's BB+ rating to BBB-. The country's credit rating was furthermore assigned a stable outlook, now considered a "net creditor" due to a "persistent current account surplus, underpinned by remittance inflows."

In May, Standard & Poor's (S&P) credit rating agency likewise awarded the Philippines the same minimum investment grade (BBB-), with the Philippines beating Indonesia to said rating. S&P likewise echoes Fitch's "stable" outlook for the country, given the Philippines' consistently strong economic showing and stable macroeconomic fundamentals.

With the two firms' respective seals of approval and confidence, the Philippine government is optimistic a higher flow of foreign direct investment (FDI) will start steadily pouring into the country. According to the United Nations Conference on Trade and Development, the Philippines has lagged behind seven of its ASEAN counterparts in attracting FDI in 2012, receiving only $1.5 billion. The figure trails Cambodia ($1.8 billion), Myanmar ($1.9 billion), Thailand ($8.1 billion), Vietnam ($8.4 billion), Indonesia ($19.2 billion), and Singapore ($54.4 billion). Amando Tetangco Jr., Bangko Sentral Governor, is positive the investment-grade ratings will translate into actual short- to medium-term investments in the Philippines, and that the country can expect to catch up with its ASEAN neighbors with a more competitive FDI rate level.

The government hopes to attract and channel incoming investments towards the expansion and improvement of infrastructure, revival of the manufacturing sector, sustaining the business process outsourcing industry, promotion of more public-private partnership initiatives, and supporting the booming tourism sector.■

Join the Philippines-France Business Council!

The PH-FRBC was established in 1998 to promote trade and investments between the Philippines and France. The council is composed of top business executives who seek to explore business opportunities between the two countries and to promote the exchange of views on policies of mutual concern. The Makati Business Club serves as the secretariat of the PH-FRBC

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